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## **FACT SHEET**

# **Proposed Government Accounting Standards Set to Burden Public Employers**

The Governmental Accounting Standards Board (GASB) has proposed changes to its accounting standards for governmental plans and public employers. The proposals will significantly change pension accounting and financial reporting for state and local governments including schools, at a time when liabilities and public pensions are under increased scrutiny.

### **WHAT IS GASB?**

GASB sets standards for accounting and financial reporting, and is concerned with pension obligations and attribution of expenses. Once its proposed changes are accepted, they become industry standards that government agencies are generally required to follow.

### **CURRENT REPORTING PRACTICES**

Employers are required to report information related to pension expenses on their financial statements. CalPERS regularly prepares detailed information regarding pension plan funding as part of its rate setting process. Currently, expense and funding data are closely aligned. Because of this, CalPERS actuarial staff can easily provide data to assist employers with their financial reporting obligations. The GASB proposal will change this, creating extra work and expense for employers.

### **THE COST OF COMPLIANCE MAY SIGNIFICANTLY IMPACT EMPLOYERS**

Employers' costs will increase. It is likely employers will have to engage an independent actuary or CalPERS for the work necessary to meet the extensive new reporting requirements. Today, CalPERS actuarial data regarding plan funding can be used by employers to assist in their financial reporting requirements. Going forward, that may not be the case. Because the proposed rules are different from the funding methods used by CalPERS to set rates, CalPERS has serious concerns about its ability to conduct this work for employers in the timeframe set out by GASB.

### **EMPLOYERS MAY BE AT RISK OF NON-COMPLIANCE**

Under the current GASB proposal, some employers would need to implement the requirements in their financial statements beginning with Fiscal Year 2012-13. If government employers are not prepared for the change, it could result in the employer being non-compliant with GASB accounting standards. This could jeopardize employers' ability to issue bonds.

**UNFUNDED LIABILITIES WILL BE REQUIRED ON EMPLOYERS' BALANCE SHEETS**

Employers will be required to report on their financial balance sheet their net pension liability, i.e., the unfunded liability for the pension benefits promised to current employees, retirees, and their beneficiaries.

**REPORTED PENSION EXPENSES OF EMPLOYERS WILL BE MORE VOLATILE**

Reported pension expenses and liabilities are likely to increase at first under the proposed rules, and the pension expense will be highly volatile from year to year. This will increase the difficulty in planning and budgeting during these tough economic times.

**THESE PROPOSED CHANGES IMPACT YOUR AGENCY, BUT THERE IS STILL TIME TO COMMENT. IF YOU HAVE CONCERNS WITH THE PROPOSED CHANGES, WE URGE YOU TO SUBMIT COMMENTS BY THE NEW OCTOBER 14 DEADLINE AT THE LINK BELOW. GASB EXTENDED THE ORIGINAL DEADLINE.**

[www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1175804830991](http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1175804830991)

**PUBLIC HEARINGS WILL TAKE PLACE OCTOBER 13 AND 14. PARTICIPATION IS LIMITED AND REGISTRATION IS REQUIRED. LEARN MORE:**

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